

**OPENING STATEMENT OF  
RANKING DEMOCRATIC MEMBER PAUL E. KANJORSKI  
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,  
AND GOVERNMENT SPONSORED ENTERPRISES  
HEARING ON THE RELEASE OF THE  
CONGRESSIONAL BUDGET OFFICE STUDY ON FEDERAL SUBSIDIES  
AND THE HOUSING GOVERNMENT SPONSORED ENTERPRISES  
WEDNESDAY, MAY 23, 2001**

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Mr. Chairman, thank you for the opportunity to comment before we begin today's hearing to learn more about the latest study compiled by the experts at the Congressional Budget Office on the subsidies received by the housing government sponsored enterprises or GSEs. As I understand, although the agency changed the methodology it used in 1996 to calculate this subsidy, its ultimate conclusions remain approximately the same in this new report. In short, Fannie Mae and Freddie Mac pass on about two-thirds of their federal subsidies to homebuyers in the form of lower mortgage prices.

The CBO analysts have also determined that the size of the federal subsidy received by Fannie Mae and Freddie Mac has nearly doubled between 1995 and 2000 to \$10.6 billion. Some will doubtlessly contend today that Congress should work to control this dramatic growth. The questions we should, however, be asking ourselves focus not on what caused the magnitude of the growth and how to control it, but rather on where the subsidy flows, what it buys, and how well the GSEs manage their risks and operate their businesses.

Additionally, I suspect that a number of my colleagues during this hearing will raise concerns about the methodology used by CBO to calculate its latest estimates. We should examine these methodological concerns today, but in doing so we should not forget to look at the big picture. This report confirms that the GSEs are performing a function that Congress wants them to perform; namely, they are working to help to lower the costs of homeownership at no real monetary cost for the federal government. In return, the stakeholders and shareholders in the GSEs receive a share of the federal subsidy to provide a financial reward for their efforts.

Moreover, just last week, the *Wall Street Journal* reported that the U.S. Census Bureau has found that the demand for housing is actually rising at a faster pace than previously expected. We could, as a result, soon experience housing shortages in some parts of the country. The GSEs need to use their benefits to help us to attend to this looming need for affordable housing. If we did not have the GSEs to accomplish our nation's housing objectives efficiently, we would have to create new housing subsidy programs to address this imminent need, likely at a great cost to our federal government.

Ultimately, the latest CBO report offers us an additional piece of information for legislators and policymakers to analyze in a more complete and comprehensive manner the contributions brought by the GSEs to the housing marketplace. Although some have called for reforming the GSEs' statutory benefits and regulatory structure in recent months, these estimates, in my opinion, present us with no compelling reason for pursuing any legislation on these matters at this time.

In closing Mr. Chairman, I look forward to hearing from CBO Director Dan Crippen today about his agency's study, and I yield back the remainder of my time.